

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

ANNUAL FINANCIAL REPORT

YEAR ENDED  
DECEMBER 31, 2009

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**INTRODUCTORY SECTION**

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

YEAR ENDED  
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CREDIT RIVER TOWNSHIP, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
YEAR ENDED DECEMBER 31, 2009

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leroy Schommer	Chairman	03/31/12
Bruce Nilsen	Vice Chair	03/31/10
Al Aspengren	Board Supervisor	03/31/11
Tom Kraft	Board Supervisor	03/31/12
Brent Lawrence	Board Supervisor	03/31/11
Jerry Maas	Township Clerk	03/31/10
Holly Batton	Township Treasurer	03/31/11

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**FINANCIAL SECTION**

**CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA**

**YEAR ENDED  
DECEMBER 31, 2009**

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5201 Eden Avenue  
Suite 370  
Edina, MN 55436

## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Credit River Township, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, fiduciary fund, each major fund, and the aggregate remaining fund information of Credit River Township, Minnesota (the Township), as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the Township's 2008 financial statements and, in our report dated February 25, 2009, we expressed unqualified opinions on the respective proprietary fund financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General, Road and Bridge, and Park Funds, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 10 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The introductory section, combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Abdo Eick & Meyers, LLP*

February 22, 2010  
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

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## **Management's Discussion and Analysis**

As management of Credit River Township, Scott County, Minnesota, (the Township), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2009.

### **Financial Highlights**

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$8,878,710 (net assets). Of this amount, \$1,900,763 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$1,135,041. Of that amount, \$916,080 is due to the township accepting assets completed by a developer.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,768,619, an increase of \$1,185,397 in comparison with the prior year. Of this total amount, \$1,579,409, is available for spending at the Township's discretion, but \$436,765 of that amount has been designated for specific purposes.
- At the end of the current fiscal year, unreserved fund balance for the General fund was \$648,070, or 113 percent of total General fund 2010 budgeted expenditures.
- The Township's total long-term debt increased by \$855,000. This was a result of the bond issued for the projects.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules which further explain and support the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about non-major governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**Township's Annual Financial Report**

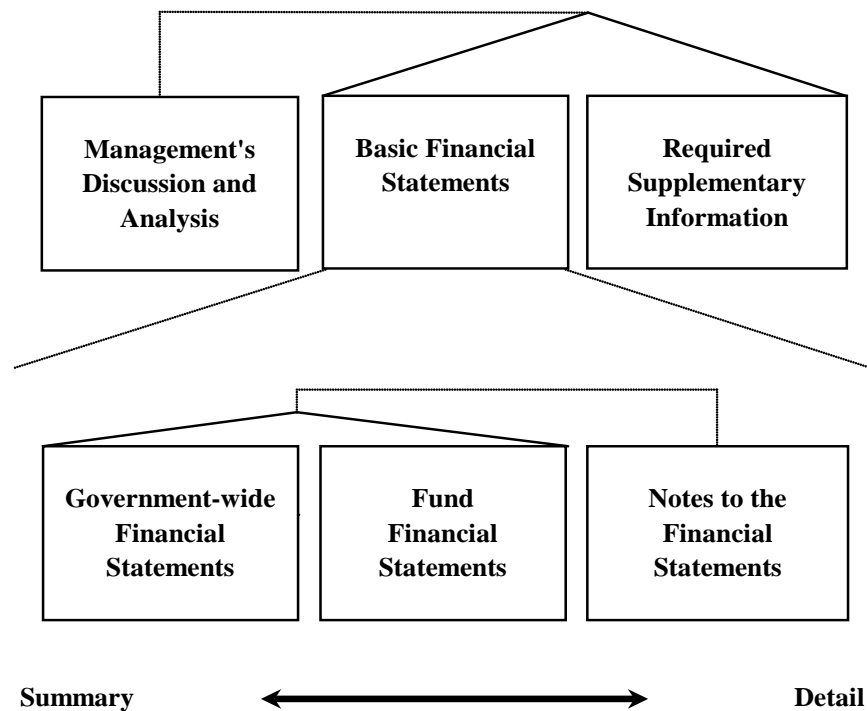


Figure 2 summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major features of the Government-wide and Fund Financial Statements**

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire Township government (except fiduciary funds) and the Township's component units	The activities of the Township that are not proprietary or fiduciary, such as police, fire and parks	Activities the Township operates similar to private businesses, such as the sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Assets</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Assets</li> <li>• Statements of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenue (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, culture and recreation, and interest on long-term debt. The business-type activities of the Township include its sewer system.

The government-wide financial statements can be found on pages 25 - 27 of this report.

## Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Road and Bridge, Improvement Bond, Whitewood Birch, and Huntington Way funds - all of which are considered to be major funds. Data from the other 3 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The Township adopts an annual appropriated budget for its General and Road and Bridge. A budgetary comparison statement has been provided for each of the funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 30 - 39 of this report.

**Proprietary funds.** The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer subordinate service districts.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on the sewer subordinate service districts as a whole. Data for individual sewer subordinate service districts is provided in the form of *combining statements or schedules* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 40 - 42 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 43 of this report.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45 - 58 of this report.

## Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 60 - 76 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$8,878,710 at the close of the most recent fiscal year.

By far, the largest portion of the Township's net assets (73 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The balance of *unrestricted net assets* (\$1,900,763) may be used to meet the Township's ongoing obligations to citizens and creditors.

### Summary of Net Assets

	Governmental Activities			Business-type Activities		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 2,389,082	\$ 1,353,598	\$ 1,035,484	\$ 214,219	\$ 128,032	\$ 86,187
Capital assets (net of depreciation)	6,800,765	5,921,430	879,335	469,600	481,897	(12,297)
<b>Total assets</b>	<b>9,189,847</b>	<b>7,275,028</b>	<b>1,914,819</b>	<b>683,819</b>	<b>609,929</b>	<b>73,890</b>
<b>Liabilities</b>						
Current and other liabilities	79,906	92,961	(13,055)	20,050	8,327	11,723
Noncurrent	895,000	40,000	855,000	-	-	-
<b>Total liabilities</b>	<b>974,906</b>	<b>132,961</b>	<b>(13,055)</b>	<b>20,050</b>	<b>8,327</b>	<b>11,723</b>
<b>Net assets</b>						
Invested in capital assets	5,970,595	5,921,430	49,165	469,600	481,897	(12,297)
Restricted	464,216	465,685	(1,469)	73,536	16,928	56,608
Unrestricted	1,780,130	754,952	1,025,178	120,633	102,777	17,856
<b>Total net assets</b>	<b>\$ 8,214,941</b>	<b>\$ 7,142,067</b>	<b>\$ 1,072,874</b>	<b>\$ 663,769</b>	<b>\$ 601,602</b>	<b>\$ 62,167</b>

At the end of the current fiscal year, the Township is able to report a positive balance in net assets for both governmental and business-type activities.

- The Township's net assets increased by \$1,135,041 during the year. Of that amount, \$916,080 is due to the township accepted assets completed by a developer.

**Governmental activities.** Governmental activities increased the Township's net assets by \$1,072,874, thereby accounting for 95 percent of the total growth in the net assets of the Township.

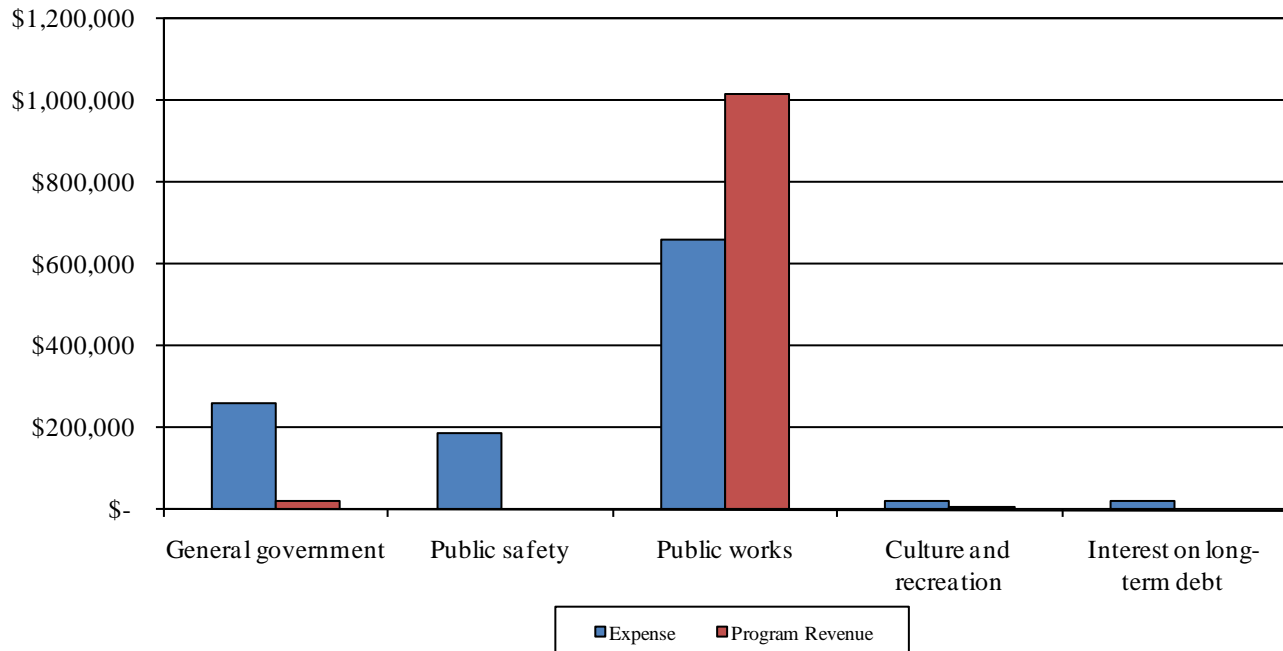
### Changes in Net Assets

	Governmental Activities			Business-type Activities		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 72,900	\$ 57,911	\$ 14,989	\$ 235,531	\$ 136,493	\$ 99,038
Operating grants and contributions	10	-	10	-	-	-
Capital grants and contributions	977,155	1,352,400	(375,245)	-	306,400	(306,400)
General revenues						
Taxes						
Property taxes, levied for general purposes	1,088,887	967,970	120,917	-	-	-
Franchise taxes	7,453	3,826	3,627	-	-	-
State grants and contributions not restricted to specific programs	27,835	38,025	(10,190)	-	-	-
Unrestricted investment earnings	44,435	37,514	6,921	1,218	3,583	(2,365)
Miscellaneous	-	36	(36)	-	-	-
Total revenues	2,218,675	2,457,682	(239,007)	236,749	446,476	(209,727)
Expenses						
General government	259,281	305,783	(46,502)	-	-	-
Public safety	189,354	177,427	11,927	-	-	-
Public works	659,105	793,487	(134,382)	-	-	-
Culture and recreation	21,653	13,531	8,122	-	-	-
Interest on long-term debt	20,197	1,838	18,359	-	-	-
Sewer	-	-	-	170,793	89,258	81,535
Total expenses	1,149,590	1,292,066	(142,476)	170,793	89,258	81,535
Increase in net assets before transfers	1,069,085	1,165,616	(96,531)	65,956	357,218	(291,262)
Transfers	3,789	-	3,789	(3,789)	-	(3,789)
Change in net assets	1,072,874	1,165,616	(92,742)	62,167	357,218	(295,051)
Net assets, January 1	7,142,067	2,782,867	4,359,200	601,602	244,384	357,218
Prior period adjustment	-	3,193,584	(3,193,584)	-	-	-
Net assets, December 31	\$ 8,214,941	\$ 7,142,067	\$ 1,072,874	\$ 663,769	\$ 601,602	\$ 62,167

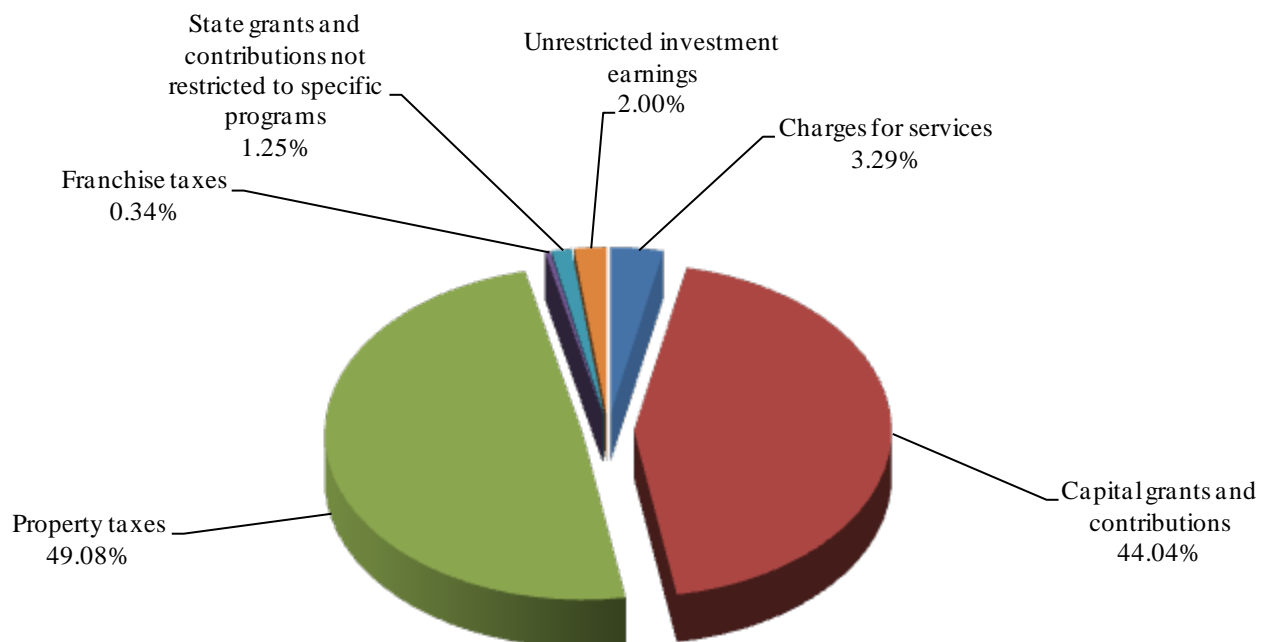
- Property taxes represent 49 percent of total governmental revenues in 2009.
- Capital grants and contributions decreased by \$375,245 in the governmental activities due to the Township accepting the following roads from developers in 2008: Margaret Lane, Judicial Road, Stonegate Drive, Century Lane and Harvest Hills Drive, while accepting one development in 2009. The decrease in the business-type activities was due to accepting the infrastructure related to the Stonebridge Subordinate Sewer Service District in 2008 and accepting none in 2009.
- Expenses in public works decreased by \$134,392 due to funds budgeted for capital improvements for paved roads was not spent as projected due to the economy.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities



## Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds had combined ending fund balances of \$1,768,619, an increase of \$1,185,397 in comparison with the prior year. Approximately 89 percent of this total amount, \$1,579,409, constitutes *unreserved fund balance*, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay prepaid items and debt service.

Major funds	Fund Balance December 31,		Increase (Decrease)
	2009	2008	
<b>General</b>	\$ 650,052	\$ 455,384	\$ 194,668
The increase in the general fund was mainly due to expenditures being under budget. The fund balance is strong relative to the following years budget (113%)			
<b>Road and Bridge</b>	\$ 822,986	\$ 582,101	\$ 240,885
The Road and Bridge fund balance increased \$241 thousand. This was mainly due to expenditures being under budget.			
<b>Improvement Bond</b>	\$ 145,487	\$ -	\$ 145,487
The increase in the Improvement Bond fund is attributed to special assessment revenue and a transfer that was levied in the Road and Bridge fund and transferred to the Improvement Bond fund at year end.			
<b>Whitewood Birch</b>	\$ (22,870)	\$ (309,654)	\$ 286,784
The increase in fund balance is due to bond proceeds to recover project costs.			
<b>Huntington Way</b>	\$ 9,315	\$ (213,942)	\$ 223,257
The increase in fund balance is due to bond proceeds to recover project costs.			

**Proprietary funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$120,633. The total increase in net assets for the funds was \$62,167. Other factors concerning the finances of this fund have already been addressed in the discussion of the Township's business-type activities.

## General fund Budgetary Highlights

The Township's General fund budget was not amended during the year. Revenues and expenditures both had positive budget variances and overall the General fund had a net positive budget variance of \$194,668.

Some of the significant variances can be briefly summarized as follows:

- Total revenue was \$41,518 over budget mainly attributable to investment earnings and charges for services related to reconciling the funds remaining in the escrow funds that are no longer due to developers.
- Funds had been budgeted for incorporation studies that were not utilized as originally planned. A fiscal impact study was conducted and pending further investigation, steps to incorporate were not pursued in 2009. Unspent budgeted expenditures for this area were \$18,095.
- With the exception of elections department, all other departments came in under budget in the General fund. The most significant of these being general legal services, supervisor wages, the fire contract, and NPDES compliance expenses. This resulted in general fund expenditures being under budget by \$149,361.

## Road and Bridge fund Budgetary Highlights

The budget for the Township's Road and Bridge fund was not amended during the year. The budget called for a \$73,280 increase in fund balance. Revenues were \$75,647 more than expected; while expenditures were \$91,958 less than what was budgeted. A significant expense not budgeted was additional winter road maintenance. The buyout of County Road 75 also resulted in additional revenues to the Road and Bridge fund.

## Capital Assets and Debt Administration

**Capital Assets:** The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2009, amounts to \$7,270,365 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Additional information on the Township's capital assets can be found in Note 3C on page 53 -54 of this report.

### Capital Assets Net of Depreciation

	Governmental Activities			Business-type Activities		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
Land	\$ 1,126,500	\$ 1,126,500	\$ -	\$ -	\$ -	\$ -
Construction work in progress	922,137	712,361	209,776	-	-	-
Buildings	36,233	38,034	(1,801)	-	-	-
Improvements other than building	201,291	212,908	(11,617)	-	-	-
Machinery and equipment	48,389	45,184	3,205	-	-	-
Infrastructure	4,466,215	3,786,443	679,772	469,600	481,897	(12,297)
Total	<u>\$ 6,800,765</u>	<u>\$ 5,921,430</u>	<u>\$ 879,335</u>	<u>\$ 469,600</u>	<u>\$ 481,897</u>	<u>\$ (12,297)</u>

Construction work in progress during 2009 includes:

- Whitewood Avenue and Birch Road - reconstruction project.
- Huntington Way - reconstruction project.

**Long-term debt:** At the end of the current fiscal year, the Township had total debt outstanding of \$855,000.

#### **Outstanding Debt**

	Governmental Activities			Business-type Activities		
	2009	2008	Increase (Decrease)	2009	2008	Increase (Decrease)
Loan payable	\$ 40,000	\$ 40,000	\$ -	\$ -	\$ -	\$ -
Bonds payable	855,000	-	855,000	-	-	-
Total	<u>\$ 895,000</u>	<u>\$ 40,000</u>	<u>\$ 855,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### **Economic Factors and Next Year's Budgets and Rates**

- Property valuations within the Township have decreased somewhat and this impacted the township board's recommendation for a levy.
- The Township had adopted a five year road capital improvement plan which allows for better fiscal planning for the maintenance and repair of the Township's roads. This plan is being re-evaluated to try to minimize economic impact to residents while maximizing optimal results for prolonging the longevity of the road infrastructure. Another factor impacting this plan was the special assessment challenge in court and the Township wanted to wait until results were known before continuing with the previously adopted plan.
- The budget for 2010 was increased to allow for increased maintenance of the township roads but the overall levy was decreased by utilizing some of the existing reserve balances in the General fund and Road & Bridge fund. The dollars previously budgeted for incorporation studies/implementation will continue to be tracked separately.
- The Township issued \$855,000 in bonds to pay for three road construction projects in 2009. These projects were special assessed to benefitting property owners with the Township contributing a share of the cost. This cost has resulted in an additional line item to the township levy that will last the ten year term of the debt.
- At the recommendation of the financial planners assisting with the debt process, the township applied for a credit rating and was awarded AA- by Standard and Poors. This credit rating enabled the township to secure an interest rate of 2.65 percent on the bond.

All of these factors were considered in preparing the Township's budget for the 2010 fiscal year.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Treasurer, 18985 Meadow View Lane, Prior Lake, Minnesota 55372.

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

YEAR ENDED  
DECEMBER 31, 2009

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CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 1,799,988	\$ 179,103	\$ 1,979,091
Receivables			
Accrued interest	5,809	-	5,809
Delinquent taxes	46,211	-	46,211
Accounts	12,782	6,973	19,755
Special assessments	497,480	27,534	525,014
Prepaid items	1,982	609	2,591
Deferred charges	24,830	-	24,830
Capital assets			
Land and construction work in progress	2,048,637	-	2,048,637
Depreciable assets (net of accumulated depreciation)	4,752,128	469,600	5,221,728
 TOTAL ASSETS	 9,189,847	 683,819	 9,873,666
LIABILITIES			
Accounts payable	62,915	19,225	82,140
Accrued salaries payable	9,064	825	9,889
Accrued interest payable	7,927	-	7,927
Noncurrent liabilities			
Due within one year			
Loan payable	40,000	-	40,000
Bonds payable	75,000	-	75,000
Due in more than one year			
Bonds payable	780,000	-	780,000
 TOTAL LIABILITIES	 974,906	 20,050	 994,956
NET ASSETS			
Invested in capital assets net of related debt	5,970,595	469,600	6,440,195
Restricted for			
Capital replacement and repair	-	73,536	73,536
Debt service	464,216	-	464,216
Unrestricted	1,780,130	120,633	1,900,763
 TOTAL NET ASSETS	 \$ 8,214,941	 \$ 663,769	 \$ 8,878,710

The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 259,281	\$ 22,150	\$ 10	\$ -
Public safety	189,354	-	-	-
Public works	659,105	41,250	-	977,155
Culture and recreation	21,653	9,500	-	-
Interest on long-term debt	20,197	-	-	-
Total governmental activities	1,149,590	72,900	10	977,155
Business-type activities				
Sewer	170,793	235,531	-	-
Total	<u>\$ 1,320,383</u>	<u>\$ 308,431</u>	<u>\$ 10</u>	<u>\$ 977,155</u>

General revenues

Taxes

Property taxes, levied for general purposes

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Transfers - internal activities

Total general revenues

Change in net assets

Net assets, January 1

Net assets, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (237,121)	\$ -	\$ (237,121)
(189,354)	-	(189,354)
359,300	-	359,300
(12,153)	-	(12,153)
<u>(20,197)</u>	<u>-</u>	<u>(20,197)</u>
(99,525)	-	(99,525)
-	64,738	64,738
<u>(99,525)</u>	<u>64,738</u>	<u>(34,787)</u>
1,088,887	-	1,088,887
7,453	-	7,453
27,835	-	27,835
44,435	1,218	45,653
<u>3,789</u>	<u>(3,789)</u>	<u>-</u>
<u>1,172,399</u>	<u>(2,571)</u>	<u>1,169,828</u>
1,072,874	62,167	1,135,041
<u>7,142,067</u>	<u>601,602</u>	<u>7,743,669</u>
<u>\$ 8,214,941</u>	<u>\$ 663,769</u>	<u>\$ 8,878,710</u>

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**FUND  
FINANCIAL STATEMENTS**

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

YEAR ENDED  
DECEMBER 31, 2009

CREDIT RIVER TOWNSHIP, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	<b>100</b> General Fund	<b>201</b> Road and Bridge Fund	<b>310</b> Improvement Bond Fund
<b>ASSETS</b>			
Cash and temporary investments (deficits)	\$ 645,277	\$ 850,978	\$ 138,533
Receivables			
Accrued interest	5,809	-	-
Delinquent taxes	18,607	27,604	-
Accounts	8,082	4,700	-
Special assessments	-	163,870	333,610
Prepaid items	1,982	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 679,757</u></u>	<u><u>\$ 1,047,152</u></u>	<u><u>\$ 472,143</u></u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 8,929	\$ 38,880	\$ -
Accrued salaries payable	9,064	-	-
Deferred revenue	11,712	185,286	326,656
<b>TOTAL LIABILITIES</b>	<u>29,705</u>	<u>224,166</u>	<u>326,656</u>
<b>FUND BALANCES (DEFICITS)</b>			
Reserved for			
Prepaid items	1,982	-	-
Debt service	-	-	145,487
Unreserved, designated reported in			
Special revenue funds	-	436,765	-
Unreserved, undesignated reported in			
General fund	648,070	-	-
Special revenue funds	-	386,221	-
Capital project funds	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>650,052</u>	<u>822,986</u>	<u>145,487</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u><u>\$ 679,757</u></u>	<u><u>\$ 1,047,152</u></u>	<u><u>\$ 472,143</u></u>

The notes to the financial statements are an integral part of this statement.

<b>413</b> Whitewood Birch	<b>414</b> Huntington Way	Other Governmental Funds	Total Governmental Funds
\$ (22,641)	\$ 23,692	\$ 164,149	\$ 1,799,988
-	-	-	5,809
-	-	-	46,211
-	-	-	12,782
-	-	-	497,480
-	-	-	1,982
<u>\$ (22,641)</u>	<u>\$ 23,692</u>	<u>\$ 164,149</u>	<u>\$ 2,364,252</u>
\$ 229	\$ 14,377	\$ 500	\$ 62,915
-	-	-	9,064
-	-	-	523,654
<u>229</u>	<u>14,377</u>	<u>500</u>	<u>595,633</u>
-	-	-	1,982
-	-	41,741	187,228
-	-	-	436,765
-	-	-	648,070
-	-	122,372	508,593
(22,870)	9,315	(464)	(14,019)
<u>(22,870)</u>	<u>9,315</u>	<u>163,649</u>	<u>1,768,619</u>
<u>\$ (22,641)</u>	<u>\$ 23,692</u>	<u>\$ 164,149</u>	<u>\$ 2,364,252</u>

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CREDIT RIVER TOWNSHIP, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2009

Total fund balances - governmental	\$ 1,768,619
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	7,609,936
Less: accumulated depreciation	(809,171)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of:	
Loan payable	(40,000)
Bonds payable	(855,000)
Less deferred charges, net of accumulated amortization	24,830
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	33,504
Deferred revenue from special assessments in the governmental funds is susceptible to full accrual on the government-wide statements.	490,150
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(7,927)</u>
Total net assets - governmental activities	<u><u>\$ 8,214,941</u></u>

The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICITS)  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<b>100</b> General Fund	<b>201</b> Road and Bridge Fund	<b>310</b> Improvement Bond Fund
REVENUES			
Property taxes	\$ 579,913	\$ 520,506	\$ -
Franchise taxes	7,453	-	-
Licenses and permits	4,553	-	-
Intergovernmental	-	79,435	-
Charges for services	34,540	24,307	-
Special assessments	-	55,279	96,425
Investment earnings	43,607	-	-
Miscellaneous	10	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	670,076	679,527	96,425
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current			
General government	247,118	-	-
Public safety	189,354	-	-
Public works	36,139	378,843	-
Culture and recreation	5,839	-	-
Capital outlay			
General government	747	-	-
Public works	-	4,799	-
Culture and recreation	-	-	-
Debt service			
Interest and other	-	-	9,512
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	479,197	383,642	9,512
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	190,879	295,885	86,913
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES			
Transfers in	3,789	-	55,000
Bond proceeds	-	-	3,574
Transfers out	-	(55,000)	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	3,789	(55,000)	58,574
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	194,668	240,885	145,487
	<hr/>	<hr/>	<hr/>
FUND BALANCES (DEFICITS), JANUARY 1	455,384	582,101	-
	<hr/>	<hr/>	<hr/>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 650,052</u>	<u>\$ 822,986</u>	<u>\$ 145,487</u>

The notes to the financial statements are an integral part of this statement.

<b>413</b> Whitewood Birch	<b>414</b> Huntington Way	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,100,419
-	-	-	7,453
-	-	-	4,553
-	-	-	79,435
-	-	9,500	68,347
-	-	-	151,704
-	-	828	44,435
-	-	-	10
-	-	10,328	1,456,356
-	-	-	247,118
-	-	-	189,354
-	-	-	414,982
-	-	500	6,339
-	-	-	747
131,460	105,364	3,556	245,179
-	-	16,517	16,517
-	-	-	9,512
131,460	105,364	20,573	1,129,748
(131,460)	(105,364)	(10,245)	326,608
-	-	-	58,789
418,244	328,621	104,561	855,000
-	-	-	(55,000)
418,244	328,621	104,561	858,789
286,784	223,257	94,316	1,185,397
(309,654)	(213,942)	69,333	583,222
<u>\$ (22,870)</u>	<u>\$ 9,315</u>	<u>\$ 163,649</u>	<u>\$ 1,768,619</u>

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CREDIT RIVER TOWNSHIP, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICITS)  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

Total net change in fund balances - governmental funds	\$ 1,185,397
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Amounts reported for governmental activities in the statement  
of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	217,219
Depreciation expense	(253,964)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.

Debt issued	(855,000)
Less costs of issuance	27,588
Amortization of deferred charges	(2,758)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Capital assets contributed by developers	916,080
--	---------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.

(7,927)

Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Special assessments	(142,229)
Property taxes	(11,532)

Change in net assets - governmental activities	<u>\$ 1,072,874</u>
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The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND AND ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund			
	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Property taxes	\$ 575,000	\$ 575,000	\$ 579,913	\$ 4,913
Franchise taxes	3,500	3,500	7,453	3,953
Licenses and permits	1,500	1,500	4,553	3,053
Intergovernmental	7,000	7,000	-	(7,000)
Charges for services	11,550	11,550	34,540	22,990
Special assessments	-	-	-	-
Investment earnings	30,000	30,000	43,607	13,607
Miscellaneous	8	8	10	2
TOTAL REVENUES	628,558	628,558	670,076	41,518
EXPENDITURES				
Current				
General government	325,553	325,553	247,118	78,435
Public safety	200,000	200,000	189,354	10,646
Public works	51,500	51,500	36,139	15,361
Culture and recreation	8,000	8,000	5,839	2,161
Capital outlay	43,505	43,505	747	42,758
Debt service	-	-	-	-
TOTAL EXPENDITURES	628,558	628,558	479,197	149,361
EXCESS OF REVENUES OVER EXPENDITURES	-	-	190,879	190,879
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,789	3,789
Transfers out	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	194,668	194,668
FUND BALANCES, JANUARY 1	455,384	455,384	455,384	-
FUND BALANCES, DECEMBER 31	\$ 455,384	\$ 455,384	\$ 650,052	\$ 194,668

The notes to the financial statements are an integral part of this statement.

Road and Bridge Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 525,000	\$ 525,000	\$ 520,506	\$ (4,494)
-	-	-	-
-	-	-	-
29,600	29,600	79,435	49,835
-	-	24,307	24,307
49,280	49,280	55,279	5,999
-	-	-	-
-	-	-	-
603,880	603,880	679,527	75,647
-	-	-	-
-	-	-	-
411,200	411,200	378,843	32,357
-	-	-	-
64,400	64,400	4,799	59,601
-	-	-	-
475,600	475,600	383,642	91,958
128,280	128,280	295,885	167,605
-	-	-	-
(55,000)	(55,000)	(55,000)	-
73,280	73,280	240,885	167,605
582,101	582,101	582,101	-
\$ 655,381	\$ 655,381	\$ 822,986	\$ 167,605

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENTS OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds Sewer Subordinate Service Districts	
	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 179,103	\$ 102,797
Receivables		
Accounts	6,973	7,515
Special assessments		
Delinquent	1,391	1,760
Deferred	26,143	15,901
Prepaid items	609	59
TOTAL CURRENT ASSETS	214,219	128,032
NONCURRENT ASSETS		
Capital assets		
Infrastructure	508,897	508,897
Less accumulated depreciation	(39,297)	(27,000)
NET CAPITAL ASSETS	469,600	481,897
TOTAL ASSETS	683,819	609,929
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	19,225	7,988
Accrued salaries payable	825	339
TOTAL LIABILITIES	20,050	8,327
NET ASSETS		
Invested in capital assets	469,600	481,897
Restricted for capital replacement and repair	73,536	16,928
Unrestricted	120,633	102,777
TOTAL NET ASSETS	\$ 663,769	\$ 601,602

The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds	
	Sewer Subordinate Service Districts	
	2009	2008
OPERATING REVENUES		
Charges for services	\$ 235,531	\$ 136,493
OPERATING EXPENSES		
Personal services	6,129	3,784
Telephone and office expenses	3,924	118
Maintenance	79,725	52,520
Repairs	21,263	10,760
Professional services	14,280	354
Utilities	5,115	4,546
Other expense	28,060	10,426
Depreciation	12,297	6,750
TOTAL OPERATING EXPENSES	170,793	89,258
OPERATING INCOME	64,738	47,235
NONOPERATING REVENUES		
Investment earnings	1,218	3,583
TRANSFERS OUT	(3,789)	-
CAPITAL CONTRIBUTIONS	-	306,400
CHANGE IN FUND NET ASSETS	62,167	357,218
FUND NET ASSETS, JANUARY 1	601,602	244,384
FUND NET ASSETS, DECEMBER 31	\$ 663,769	\$ 601,602

The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds	
	Sewer Subordinate Service Districts	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 226,200	\$ 122,493
Payments to suppliers	(141,680)	(75,572)
Payments to employees	(5,643)	(3,445)
NET CASH PROVIDED BY OPERATING ACTIVITIES	78,877	43,476
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to other funds	(3,789)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,218	3,996
NET INCREASE IN CASH AND CASH EQUIVALENTS	76,306	47,472
CASH AND CASH EQUIVALENTS, JANUARY 1	102,797	55,325
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 179,103</u>	<u>\$ 102,797</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 64,738	\$ 47,235
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	12,297	6,750
(Increase) decrease in assets:		
Accounts receivable	542	(4,738)
Special assessments		
Delinquent	369	6,639
Deferred	(10,242)	(15,901)
Prepaid items	(550)	-
Increase (decrease) in liabilities:		
Accounts and contracts payable	11,237	3,152
Accrued wages payable	486	339
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 78,877</u>	<u>\$ 43,476</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions from developers	<u>\$ -</u>	<u>\$ 306,400</u>

The notes to the financial statements are an integral part of this statement.

CREDIT RIVER TOWNSHIP, MINNESOTA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2009

	<u>Agency</u>
ASSETS	
Cash and temporary investments	<u><u>\$        486,575</u></u>
LIABILITIES	
Deposits payable	<u><u>\$        486,575</u></u>

The notes to the financial statements are an integral part of this statement.

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CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Credit River Township, Minnesota (the Township), is organized and governed by the standard structure of five supervisors, one clerk, and one treasurer. All seven positions are elected by eligible voters of the Township. The Township has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Township has no component units.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Township reports the following major governmental funds:

The *General fund* is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The *Road and Bridge fund* accounts for resources accumulated and payments made related to road maintenance and snow removal.

The *Improvement Bond fund* accounts for the debt service activity associated with the 2009 bond.

The *Whitewood Birch fund* accounts for all activity related to the Whitewood Birch capital project.

The *Huntington Way fund* accounts for all activity related to the Huntington Way capital project.

Additionally, the Township reports the following proprietary fund types:

The *Sewer Subordinate Service District fund* accounts for the activities of the Township's wastewater treatment for community septic treatment systems.

*Fiduciary funds* account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The *Escrow Agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the Township holds for others in an agency capacity.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated based on the Township's policy.

The Township may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

It is the Township's policy to comply with Minnesota Statute Chapter 118A - Deposits and Investments of Local Public Funds.

**Property Taxes**

The Board annually adopts a tax levy at their Annual Town Meeting. The levy is then certified to the County for collection in the following year. The County is responsible for collecting all property taxes for the Township. These taxes attach an enforceable lien on taxable property within the Township on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the Township during January, July, and December each year.

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the Township by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

**Accounts Receivable**

Accounts receivable include amounts billed for services provided before year end. The Township annually certifies delinquent charges to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

**Special Assessments**

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All special assessments receivable are offset by a deferred revenue liability in the fund financial statements.

**Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of five years.

Pursuant to GASB 34, paragraph 148, the Township chose not to report general infrastructure asset retrospectively. General infrastructure assets consist of those constructed or accepted since January 1, 2004. As the Township constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the Township values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment will be depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and structures	20 to 50
Improvements other than buildings	15 to 30
Machinery and equipment	5 to 10
Infrastructure	20 to 30

**Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net assets - Consist of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**Comparative Data/Reclassifications**

Comparative data for the prior year has been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and selected special revenue funds. All annual appropriations lapse at fiscal year end. The Township does not use encumbrance accounting.

In February/March of each year, the proposed budget is prepared by the Board and management. The Board holds public hearing at the Annual Town meeting and a final budget is prepared and adopted at that meeting.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between funds require the approval of the Board. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Board. There were no budget amendments made during 2009.

**B. Deficit Fund Equity**

The following funds had a deficit balance at December 31, 2009:

<u>Fund</u>	<u>Amount</u>
Major governmental fund	
Whitewood Birch	\$ 22,870
Nonmajor governmental fund	
Judicial Road	464

The deficit fund balances will be eliminated with future transfers.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Deposits**

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Township's deposits and investments may not be returned or the Township will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board, the Township maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Township deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

At year end, the Township's carrying amount of deposits was \$2,465,666 and the bank balance was \$2,466,565. The entire bank balance was covered by federal depository insurance and collateral.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets for the Township follows:

	<u>Total</u>
Carrying amount of deposits	<u>\$ 2,465,666</u>
Cash and cash equivalents	
Statement of Net Assets	\$ 1,979,091
Statement of Fiduciary Net Assets	<u>486,575</u>
Total	<u>\$ 2,465,666</u>

**B. Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
General	
Delinquent taxes	\$ 11,712
Road and Bridges	
Delinquent taxes	21,792
Special assessments not yet levied	163,494
Improvement Bond	
Special assessments not yet levied	<u>326,656</u>
Total	<u>\$ 523,654</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,126,500	\$ -	\$ -	\$ 1,126,500
Construction in progress	712,361	209,776	-	922,137
	<u>1,838,861</u>	<u>209,776</u>	<u>-</u>	<u>2,048,637</u>
Total capital assets not being depreciated	<u>1,838,861</u>	<u>209,776</u>	<u>-</u>	<u>2,048,637</u>
Capital assets being depreciated				
Buildings	84,113	-	-	84,113
Improvements other than buildings	239,028	-	-	239,028
Machinery and equipment	57,253	7,443	-	64,696
Infrastructure	4,257,382	916,080	-	5,173,462
	<u>4,637,776</u>	<u>923,523</u>	<u>-</u>	<u>5,561,299</u>
Total capital assets being depreciated	<u>4,637,776</u>	<u>923,523</u>	<u>-</u>	<u>5,561,299</u>
Less accumulated depreciation for				
Buildings	(46,079)	(1,801)	-	(47,880)
Improvements other than buildings	(26,120)	(11,617)	-	(37,737)
Machinery and equipment	(12,069)	(4,238)	-	(16,307)
Infrastructure	(470,939)	(236,308)	-	(707,247)
	<u>(555,207)</u>	<u>(253,964)</u>	<u>-</u>	<u>(809,171)</u>
Total accumulated depreciation	<u>(555,207)</u>	<u>(253,964)</u>	<u>-</u>	<u>(809,171)</u>
Total capital assets being depreciated, net	<u>4,082,569</u>	<u>669,559</u>	<u>-</u>	<u>4,752,128</u>
Governmental activities capital assets, net	<u>\$ 5,921,430</u>	<u>\$ 879,335</u>	<u>\$ -</u>	<u>\$ 6,800,765</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets being depreciated				
Infrastructure	\$ 508,897	\$ -	\$ -	\$ 508,897
Less accumulated depreciation for				
Infrastructure	<u>(27,000)</u>	<u>(12,297)</u>	<u>-</u>	<u>(39,297)</u>
Business-type activities capital assets, net	<u>\$ 481,897</u>	<u>\$ (12,297)</u>	<u>\$ -</u>	<u>\$ 469,600</u>

Depreciation expense was charged to functions/programs of the Township as follows:

<b>Governmental activities</b>	
General government	\$ 11,416
Streets and highways	236,308
Culture and recreation	<u>6,240</u>
Total depreciation expense - governmental activities	<u>\$ 253,964</u>
<b>Business-type activities</b>	
Sewer utility	<u>\$ 12,297</u>

**Construction Commitments**

The Township has active construction projects as of December 31, 2009 for various capital improvements. At year end, the Township's commitments with contractors are as follows:

Project	Spent to date	Remaining Commitment
Huntington Way	\$ 236,110	\$ 45,440
Whitewood Birch	<u>452,500</u>	<u>16,773</u>
Total	<u>\$ 688,610</u>	<u>\$ 62,213</u>

**D. Interfund Transfers**

Fund	Transfers in		Total
	General	Nonmajor Governmental	
Transfers out			
Road and Bridge fund	\$ -	\$ 55,000	\$ 55,000
Sewer	<u>3,789</u>	<u>-</u>	<u>3,789</u>
Total transfers out	<u>\$ 3,789</u>	<u>\$ 55,000</u>	<u>\$ 58,789</u>

The Road and Bridge fund budgeted a \$55,000 transfer for debt service expenses. The Sewer fund transferred interest earnings improperly coded to the Sewer fund in prior years to the General fund.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Operating Leases**

The Township leases a copy machine and scanner under a five-year operating lease. Total lease payments for the year ended December 31, 2009 were \$1,812. The future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 1,680
2011	1,680
2012	1,680
2013	<u>1,400</u>
Total	<u>\$ 6,440</u>

**F. Long-term Debt**

**Loans Payable**

On February 27, 2008, the Township received a zero-interest loan payable for \$40,000 from the Metropolitan Council. The entire amount is due January 20, 2010.

**General Obligation Bonds**

The Township issued a general obligation bond to provide funds for the acquisition and construction of major capital assets. The general obligation bond was issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. General Obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
General Obligation Improvement Bond, Series 2009	\$ 855,000	1.40 - 3.00 %	02/01/09	02/01/19	<u>\$ 855,000</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Annual requirement to maturity for general obligation bonds is as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 75,000	\$ 18,500	\$ 93,500
2011	75,000	17,413	92,413
2012	80,000	16,210	96,210
2013	80,000	14,850	94,850
2014	80,000	13,330	93,330
2015-2019	<u>465,000</u>	<u>34,045</u>	<u>499,045</u>
Total	<u>\$ 855,000</u>	<u>\$ 114,348</u>	<u>\$ 969,348</u>

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
G.O. improvement bonds	\$ -	\$ 855,000	\$ -	\$ 855,000	\$ 75,000
Loans payable	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Governmental activity long-term liabilities	<u>\$ 40,000</u>	<u>\$ 855,000</u>	<u>\$ -</u>	<u>\$ 895,000</u>	<u>\$ 115,000</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**G. Fund Equity Reservations and Designations**

The Township has various reservations and designations as described in Note 1. They are summarized below:

Fund	Purpose	Amount
<b>Net assets - Restricted</b>		
Governmental Activities		
Improvement Bond	Debt service	\$ 464,216
Business-type activities		
Sewer Subordinate Service Districts	Capital replacement and repair	<u>73,536</u>
Total restricted net assets		<u><u>\$ 537,752</u></u>
<b>Fund balance - Reserved</b>		
General	Prepaid items	\$ 1,982
Improvement Bond	Debt service	145,487
Other Governmental Funds	Debt service	<u>41,741</u>
Total reserved fund balance		<u><u>\$ 189,210</u></u>
<b>Fund balance - Unreserved - Designated</b>		
Road and Bridge	Lot fees	\$ 144,000
Road and Bridge	Turn lanes	241,165
Road and Bridge	County Road 75	<u>51,600</u>
Total designated fund balance		<u><u>\$ 436,765</u></u>

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE**

The five board members of the Township are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contribution in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and one quarter of one percent of the assets in each member's account annually.

The Township's contribution to the PEDCP for the years ending December 31, 2009 and 2008, were \$1,856 and \$122, respectively.

CREDIT RIVER TOWNSHIP, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**Note 5: OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Township carries insurance. The Township obtains insurance through participation in the Minnesota Association of Townships (MAT), which is a risk sharing pool with approximately 1,785 other governmental units. The Township pays an annual premium to MAT for its workers compensation and property and casualty insurance. The MAT is self sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the Township's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The Township's management is not aware of any incurred but not reported claims.

**B. Legal Debt Margin**

In accordance with Minnesota statutes, the Township may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the Township. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments. The Township has no outstanding debt subject to the limit.

**C. Joint Powers Agreements**

The Township entered into a joint powers agreement, effective September 17, 2007, with the City of Lakeville to improve and maintain Judicial Road. The project costs will be paid 50% by each party in accordance with the agreement. The Township paid \$4,964 related to the agreement in 2009. Each party will own the portion of the road within its government boundaries. This agreement will remain in effect until either party terminates with a one year written notice to the other party.

The Township entered into a joint powers agreement, effective April 2009, with the City of Savage, for the City to have exclusive planning, zoning and subdivision authority for a piece of property in the northwestern corner of the township currently owned by W.G. Pearson, Inc. with the purpose of regulating a mining permit. This agreement renews on the first of each subsequent year unless a party gives sixty days written notice prior to the anticipated date of termination or unless Credit River Township is incorporated into a city or the subject property is annexed into the City, or is terminated by law.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

YEAR ENDED  
DECEMBER 31, 2009

CREDIT RIVER TOWNSHIP, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2009

	Special Revenue		Total
	<b>206</b>	<b>202</b>	Special
	Met Council	Park	Revenue
	Loan Fund	Fund	Funds
ASSETS			
Cash and temporary investments (deficits)	\$ 41,741	\$ 122,872	\$ 164,613
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 500	\$ 500
FUND BALANCES (DEFICITS)			
Reserved for debt service	41,741	-	41,741
Unreserved, undesignated	-	122,372	122,372
TOTAL FUND BALANCES (DEFICITS)	41,741	122,372	164,113
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 41,741	\$ 122,872	\$ 164,613

Capital Projects <b>412</b>	Total Nonmajor Governmental Funds
Judicial Road	
<u>\$ (464)</u>	<u>\$ 164,149</u>
<u>\$ -</u>	<u>\$ 500</u>
-	41,741
<u>(464)</u>	<u>121,908</u>
<u>(464)</u>	<u>163,649</u>
<u>\$ (464)</u>	<u>\$ 164,149</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICITS)  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Special Revenue		Total
	<b>206</b>	<b>202</b>	Special
	Met Council	Park	Revenue
	Loan Fund	Fund	Funds
REVENUES			
Charges for services	\$ -	\$ 9,500	\$ 9,500
Investment earnings	828	-	828
TOTAL REVENUES	828	9,500	10,328
EXPENDITURES			
Current			
Culture and recreation	-	500	500
Capital outlay			
Public works	-	-	-
Culture and recreation	-	16,517	16,517
TOTAL EXPENDITURES	-	17,017	17,017
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	828	(7,517)	(6,689)
OTHER FINANCING SOURCES			
Bond proceeds	-	-	-
NET CHANGE IN FUND BALANCES	828	(7,517)	(6,689)
FUND BALANCES (DEFICITS), JANUARY 1	40,913	129,889	170,802
FUND BALANCES (DEFICITS), DECEMBER 31	\$ 41,741	\$ 122,372	\$ 164,113

<u>Capital Projects</u> <b>412</b>	Total Nonmajor Governmental Funds
<u>Judicial Road</u>	
\$ -	\$ 9,500
-	828
-	10,328
-	500
3,556	3,556
-	16,517
3,556	20,573
(3,556)	(10,245)
104,561	104,561
101,005	94,316
(101,469)	69,333
<u>\$ (464)</u>	<u>\$ 163,649</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(With comparative actual amounts for the year ended December 31, 2008)

	2009			2008
	Budgeted Amounts		Variance with Final Budget - Positive (Negative)	Actual Amounts
	Original	Final	Actual Amounts	
REVENUES				
Taxes				
General property taxes	\$ 575,000	\$ 575,000	\$ 579,913	\$ 592,259
Franchise	3,500	3,500	7,453	3,826
Total	578,500	578,500	587,366	596,085
Licenses and permits				
Nonbusiness	1,500	1,500	2,728	2,240
Business	-	-	1,825	200
Total	1,500	1,500	4,553	2,440
Intergovernmental				
State				
Property tax credits	7,000	7,000	-	8,309
Charges for services				
General government	11,550	11,550	34,540	26,725
Investment earnings	30,000	30,000	43,607	36,601
Miscellaneous				
Other	8	8	10	36
TOTAL REVENUES	628,558	628,558	670,076	670,196
EXPENDITURES				
Current expenditures				
General government				
Town Board				
Personal services	79,870	79,870	62,796	142,664
Supplies	6,000	6,000	5,253	7,570
Other services and charges	39,763	39,763	26,198	29,924
Total	125,633	125,633	94,247	180,158

CREDIT RIVER TOWNSHIP, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(With comparative actual amounts for the year ended December 31, 2008)

	2009				2008
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Actual Amounts
	Original	Final	Actual Amounts		
EXPENDITURES					
Current expenditures					
General government					
Town Clerk					
Personal services	\$ 35,000	\$ 35,000	\$ 35,795	\$ (795)	\$ -
Supplies	-	-	78	(78)	-
Other services and charges	-	-	326	(326)	-
Total	35,000	35,000	36,199	(1,199)	-
Town Treasurer					
Personal services	35,000	35,000	34,375	625	-
Supplies	-	-	1,055	(1,055)	3,428
Other services and charges	-	-	1,678	(1,678)	-
Total	35,000	35,000	37,108	(2,108)	3,428
Elections					
Personal services	500	500	762	(262)	5,334
Supplies	100	100	240	(140)	1,391
Other services and charges	-	-	919	(919)	32
Total	600	600	1,921	(1,321)	6,757
Assessor					
Other services and charges	27,720	27,720	28,014	(294)	24,041
Incorporation costs					
Other services and charges	40,000	40,000	13,378	26,622	-
Legal					
Other services and charges	45,400	45,400	25,420	19,980	46,022
Planning					
Personal services	600	600	-	600	-
Other services and charges	3,100	3,100	812	2,288	23,480
Total	3,700	3,700	812	2,888	23,480

CREDIT RIVER TOWNSHIP, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(With comparative actual amounts for the year ended December 31, 2008)

	2009			2008
	Budgeted Amounts		Variance with Final Budget - Positive (Negative)	Actual Amounts
	Original	Final	Actual Amounts	
EXPENDITURES - CONTINUED				
Current expenditures - Continued				
General government - continued				
Town hall building				
Personal services	\$ -	\$ -	\$ -	\$ 38
Supplies	-	-	-	28
Other services and charges	12,500	12,500	10,019	10,358
Total	12,500	12,500	2,481	10,424
Total general government	325,553	325,553	78,435	294,310
Public safety				
Fire				
Other services and charges	\$ 200,000	\$ 200,000	\$ 189,354	\$ 177,427
Public works				
Streets				
Personal services	3,000	3,000	345	2,883
Other services and charges	48,500	48,500	35,794	35,246
Total public works	51,500	51,500	36,139	38,129
Culture and recreation				
Parks				
Other services and charges	8,000	8,000	5,839	6,597
Total current expenditures	585,053	585,053	478,450	516,470
Capital outlay				
General government	43,505	43,505	747	345
TOTAL EXPENDITURES	628,558	628,558	479,197	516,815
EXCESS OF REVENUES OVER EXPENDITURES	-	-	190,879	153,381
OTHER FINANCING SOURCES				
Transfers in	-	-	3,789	-
NET CHANGE IN FUND BALANCES	-	-	194,668	153,381
FUND BALANCES, JANUARY 1	455,384	455,384	455,384	302,003
FUND BALANCES, DECEMBER 31	\$ 455,384	\$ 455,384	\$ 650,052	\$ 455,384

CREDIT RIVER TOWNSHIP, MINNESOTA  
ROAD AND BRIDGE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(With comparative actual amounts for the year ended December 31, 2008)

	2009			2008
	Budgeted Amounts		Variance with Final Budget - Positive (Negative)	Actual Amounts
	Original	Final	Actual Amounts	
REVENUES				
Taxes				
General property taxes	\$ 525,000	\$ 525,000	\$ 520,506	\$ 365,223
Intergovernmental				
State				
Property tax credits	5,600	5,600	-	5,112
Local				
County	-	-	51,600	46,600
Other grants and aids	24,000	24,000	27,835	24,604
Total	29,600	29,600	79,435	76,316
Charges for services				
Public works	-	-	24,307	21,235
Special assessments	49,280	49,280	55,279	38,211
TOTAL REVENUES	603,880	603,880	679,527	500,985
EXPENDITURES				
Current expenditures				
Public works				
Streets				
Personal services	3,550	3,550	3,324	2,394
Supplies	66,100	66,100	49,315	2,054
Other services and charges	341,550	341,550	326,204	436,818
Total public works	411,200	411,200	378,843	441,266
Debt service				
Principal	-	-	-	78,387
Interest and other	-	-	-	1,838
Total debt service	-	-	-	80,225
Total current expenditures	411,200	411,200	378,843	521,491
Capital outlay				
Public works	64,400	64,400	4,799	-
TOTAL EXPENDITURES	475,600	475,600	383,642	521,491

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CREDIT RIVER TOWNSHIP, MINNESOTA  
ROAD AND BRIDGE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(With comparative actual amounts for the year ended December 31, 2008)

	2009				2008
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
	Original	Final			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 128,280	\$ 128,280	\$ 295,885	\$ 167,605	\$ (20,506)
OTHER FINANCING USES					
Transfers out	(55,000)	(55,000)	(55,000)	-	(139,682)
NET CHANGE IN FUND BALANCES	73,280	73,280	240,885	167,605	(160,188)
FUND BALANCES, JANUARY 1	582,101	582,101	582,101	-	742,289
FUND BALANCES, DECEMBER 31	\$ 655,381	\$ 655,381	\$ 822,986	\$ 167,605	\$ 582,101

CREDIT RIVER TOWNSHIP, MINNESOTA  
 PROPRIETARY FUNDS  
 COMBINING SCHEDULE OF NET ASSETS  
 DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 81,125	\$ 63,315
Receivables		
Accounts	936	894
Special assessments		
Delinquent	1,391	1,760
Deferred	3,757	11,725
Prepaid items	240	59
TOTAL CURRENT ASSETS	87,449	77,753
NONCURRENT ASSETS		
Capital assets		
Infrastructure	202,497	202,497
Less accumulated depreciation	(33,750)	(27,000)
NET CAPITAL ASSETS	168,747	175,497
TOTAL ASSETS	256,196	253,250
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	5,811	4,543
Accrued salaries payable	231	105
TOTAL LIABILITIES	6,042	4,648
NET ASSETS		
Invested in capital assets	168,747	175,497
Restricted for capital replacement and repair	48,254	9,041
Unrestricted	33,153	64,064
TOTAL NET ASSETS	\$ 250,154	\$ 248,602

Business-type Activities - Enterprise Funds - Continued

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2009	2008	2009	2008	2009	2008
\$ 78,786	\$ 32,262	\$ 19,192	\$ 7,220	\$ 179,103	\$ 102,797
3,506	3,662	2,531	2,959	6,973	7,515
-	-	-	-	1,391	1,760
12,187	1,836	10,199	2,340	26,143	15,901
251	-	118	-	609	59
94,730	37,760	32,040	12,519	214,219	128,032
-	-	306,400	306,400	508,897	508,897
-	-	(5,547)	-	(39,297)	(27,000)
-	-	300,853	306,400	469,600	481,897
94,730	37,760	332,893	318,919	683,819	609,929
8,786	1,671	4,628	1,774	19,225	7,988
454	170	140	64	825	339
9,240	1,841	4,768	1,838	20,050	8,327
-	-	300,853	306,400	469,600	481,897
17,265	5,258	8,017	2,629	73,536	16,928
68,225	30,661	19,255	8,052	120,633	102,777
\$ 85,490	\$ 35,919	\$ 328,125	\$ 317,081	\$ 663,769	\$ 601,602

CREDIT RIVER TOWNSHIP, MINNESOTA  
 PROPRIETARY FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2009	2008
OPERATING REVENUES		
Charges for services	\$ 62,015	\$ 58,780
OPERATING EXPENSES		
Personal services	1,712	1,857
Telephone and office	1,444	118
Maintenance	26,446	28,929
Repairs	7,157	7,493
Professional services	4,840	354
Utilities	1,635	3,032
Other expense	9,020	8,103
Depreciation	6,750	6,750
TOTAL OPERATING EXPENSES	59,004	56,636
OPERATING INCOME	3,011	2,144
NONOPERATING REVENUES		
Investment earnings	877	2,074
TRANSFERS OUT	(2,336)	-
CAPITAL CONTRIBUTIONS	-	-
CHANGE IN FUND NET ASSETS	1,552	4,218
FUND NET ASSETS, JANUARY 1	248,602	244,384
FUND NET ASSETS, DECEMBER 31	\$ 250,154	\$ 248,602

Business-type Activities - Enterprise Funds - Continued

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2009	2008	2009	2008	2009	2008
\$ 123,039	\$ 55,550	\$ 50,477	\$ 22,163	\$ 235,531	\$ 136,493
3,334	1,397	1,083	530	6,129	3,784
1,747	-	733	-	3,924	118
34,864	15,446	18,415	8,145	79,725	52,520
10,656	1,461	3,450	1,806	21,263	10,760
5,992	-	3,448	-	14,280	354
2,907	1,052	573	462	5,115	4,546
13,013	1,495	6,027	828	28,060	10,426
-	-	5,547	-	12,297	6,750
72,513	20,851	39,276	11,771	170,793	89,258
50,526	34,699	11,201	10,392	64,738	47,235
228	1,220	113	289	1,218	3,583
(1,183)	-	(270)	-	(3,789)	-
-	-	-	306,400	-	306,400
49,571	35,919	11,044	317,081	62,167	357,218
35,919	-	317,081	-	601,602	244,384
\$ 85,490	\$ 35,919	\$ 328,125	\$ 317,081	\$ 663,769	\$ 601,602

CREDIT RIVER TOWNSHIP, MINNESOTA  
 PROPRIETARY FUNDS  
 COMBINING SCHEDULE OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 70,310	\$ 55,577
Payments to suppliers	(49,455)	(48,322)
Payments to employees	(1,586)	(1,752)
NET CASH PROVIDED BY OPERATING ACTIVITIES	19,269	5,503
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to other funds	(2,336)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	877	2,487
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,810	7,990
CASH AND CASH EQUIVALENTS, JANUARY 1	63,315	55,325
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 81,125	\$ 63,315
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 3,011	\$ 2,144
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,750	6,750
(Increase) decrease in assets:		
Accounts receivable	(42)	1,883
Special assessments		
Delinquent	369	6,639
Deferred	7,968	(11,725)
Prepaid items	(181)	-
Increase (decrease) in liabilities:		
Accounts payable	1,268	(293)
Accrued wages payable	126	105
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 19,269	\$ 5,503
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions from developers	\$ -	\$ -

Business-type Activities - Enterprise Funds - Continued

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2009	2008	2009	2008	2009	2008
\$ 112,844	\$ 50,052	\$ 43,046	\$ 16,864	\$ 226,200	\$ 122,493
(62,315)	(17,783)	(29,910)	(9,467)	(141,680)	(75,572)
(3,050)	(1,227)	(1,007)	(466)	(5,643)	(3,445)
47,479	31,042	12,129	6,931	78,877	43,476
(1,183)	-	(270)	-	(3,789)	-
228	1,220	113	289	1,218	3,996
46,524	32,262	11,972	7,220	76,306	47,472
32,262	-	7,220	-	102,797	55,325
<u>\$ 78,786</u>	<u>\$ 32,262</u>	<u>\$ 19,192</u>	<u>\$ 7,220</u>	<u>\$ 179,103</u>	<u>\$ 102,797</u>
\$ 50,526	\$ 34,699	\$ 11,201	\$ 10,392	\$ 64,738	\$ 47,235
-	-	5,547	-	12,297	6,750
156	(3,662)	428	(2,959)	542	(4,738)
-	-	-	-	369	6,639
(10,351)	(1,836)	(7,859)	(2,340)	(10,242)	(15,901)
(251)	-	(118)	-	(550)	-
7,115	1,671	2,854	1,774	11,237	3,152
284	170	76	64	486	339
<u>\$ 47,479</u>	<u>\$ 31,042</u>	<u>\$ 12,129</u>	<u>\$ 6,931</u>	<u>\$ 78,877</u>	<u>\$ 43,476</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,400</u>	<u>\$ -</u>	<u>\$ 306,400</u>

CREDIT RIVER TOWNSHIP, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Total		Percent Increase (Decrease)
	2009	2008	
REVENUES			
Property taxes	\$ 1,100,419	\$ 957,482	14.93 %
Franchise taxes	7,453	3,826	94.80
Licenses and permits	4,553	2,440	86.60
Intergovernmental	79,435	185,649	(57.21)
Charges for services	68,347	63,656	7.37
Special assessments	151,704	253,085	(40.06)
Investment earnings	44,435	37,514	18.45
Miscellaneous	10	36	(72.22)
TOTAL REVENUES	<u>\$ 1,456,356</u>	<u>\$ 1,503,688</u>	<u>(3.15) %</u>
Per Capita	281.86	\$ 326.18	
EXPENDITURES			
Current			
General government	\$ 247,118	\$ 293,935	(15.93) %
Public safety	189,354	177,427	6.72
Public works	414,982	523,987	(20.80)
Culture and recreation	6,339	7,479	(15.24)
Capital outlay			
General government	747	345	116.52
Public works	245,179	913,120	(73.15)
Culture and recreation	16,517	59	27,894.92
Debt service			
Principal	-	90,887	(100.00)
Interest and other charges	9,512	1,838	417.52
TOTAL EXPENDITURES	<u>\$ 1,129,748</u>	<u>\$ 2,009,077</u>	<u>(43.77) %</u>
Per Capita	218.65	\$ 435.81	
Total Long-term Indebtedness	\$ 855,000	\$ -	100.00 %
Per Capita	165.47	-	
General Fund Balance - December 31	\$ 650,052	\$ 455,384	42.75 %
Per Capita	125.81	98.78	

The purpose of this report is to provide a summary of financial information concerning Credit River Township to interested citizens. The complete financial statements may be examined at Town Hall, 18985 Meadow View Lane, Prior Lake, MN 55372. Questions about this report should be directed to Holly Batton, Treasurer, at 952-440-5515.

**OTHER REPORTS**

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

YEAR ENDED  
DECEMBER 31, 2009

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5201 Eden Avenue  
Suite 370  
Edina, MN 55436

## REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Supervisors  
Credit River Township, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Credit River Township, Minnesota (the Township), as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements and have issued our report thereon dated February 22, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute, section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the Township complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of Supervisors, management and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

February 22, 2010  
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

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5201 Eden Avenue  
Suite 370  
Edina, MN 55436

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

Board of Supervisors  
Credit River Township, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Credit River Township, Minnesota, (the Township) as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements and have issued our report thereon dated February 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the Township as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency presented as finding 2009-1 in the schedule of findings and responses to be a material weakness in internal control over financial reporting.



In addition, we noted certain matters involving the internal control and its operation that we have reported to management of the Township in a separate letter dated February 22, 2010.

The Township's written response to the material weakness identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Supervisors, management and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

February 22, 2010  
Minneapolis, Minnesota

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CREDIT RIVER TOWNSHIP, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009

<u>Finding</u>	<u>Description</u>
<b>2009-1</b>	<b>Preparation of Financial Statements (Finding since 2008)</b>
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over safeguarding of assets and the reliability of financial reporting.
<i>Cause:</i>	From a practical standpoint, we both prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the Township's financial operations. It is the responsibility of management and those charged with governance to make the decision to accept the degree of risk associated with this condition because of cost or other considerations. Regarding the specific situations listed above, we would offer the following recommendations: 1) Utilize a disclosure checklist to ensure that all required disclosures are present and agree to work papers, and 2) Agree your accounting information from CTAS and Banyon to the amounts reported in the financial statements.
<i>Management Response:</i>	For now, the Township's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.